

November 24, 2015

The regular meeting of the Council of the City of Martinsville, Virginia, was held on November 24, 2015, in Council Chambers, Municipal Building, at 7:30 PM, Closed Session beginning at 7:00pm, with Mayor Danny Turner presiding. Council Members present included: Mayor Danny Turner, Gene Teague, Sharon Brooks Hodge, and Mark Stroud. Vice Mayor Jennifer Bowles was not present. Staff present included: City Manager Leon Towarnicki, Clerk of Council Karen Roberts, City Attorney Eric Monday, Director of Utilities Dennis Bowles, Superintendent of Electric Operations Durwin Joyce.

Mayor Turner called the meeting to order and advised Council would go into Closed Session. In accordance with Section 2.1-344 (A) of the Code of Virginia (1950, and as amended) and upon a motion by Council Member Hodge, seconded by Council Member Stroud, with the following 4-0 recorded vote: Turner, aye; Teague, aye; Hodge, aye; and Stroud, aye, Council convened in Closed Session, for the purpose of discussing the following matters: (A) Consultation with legal counsel and briefings by staff members, attorneys or consultants pertaining to actual or probable litigation, or other specific legal matters requiring the provision of legal advice by such counsel, as authorized by Subsection 7. At the conclusion of Closed Session, each returning member of Council certified that (1) only public business matters exempt from open meeting requirements were discussed in said Closed Session; and (2) only those business matters identified in the motion convening the Closed Session were heard, discussed, or considered during the Session. On a motion by Council Member Hodge, seconded by Council Member Stroud, all Council members voted in favor to return to Open Session.

Following the invocation by Council Member Stroud and Pledge to the American Flag, Mayor Turner welcomed everyone to the meeting.

Consider approval of minutes of October 27, 2015 and November 10, 2015 meetings – on a motion by Council Member Hodge, seconded by Council Member Stroud, with a 4-0 vote, Council approved the minutes of the October 27, 2015 and November 10, 2015 Council meetings as presented.

Recognize City employees eligible for service awards – City Manager Towarnicki recognized City employees who received service awards for the first quarter of FY15-16.

**SERVICE AWARD RECIPIENTS
SECOND QUARTER - FISCAL YEAR 15-16
FOR THE PERIOD OF OCTOBER 1 – DECEMBER 31, 2015**

NAME		DEPARTMENT	YEARS OF SERVICE
SCOTT	ERRICHETTI	ELECTRIC	5
JONATHAN	FULCHER	POLICE DEPT	5
JOSEPH	WASHBURN	POLICE DEPT	10
MARY KAY	WASHINGTON	FINANCE	10
JIM	COOPER	SHERIFF - JAIL	15
TIM	GARY	SHERIFF - JAIL	15
GREG	JOHNSTON	POLICE DEPT	15
DONNA	HARRIS	SENIOR CENTER	20
CHRIS	MORRIS	ENGINEERING	20
MILDRED	SPENCE	SHERIFF - JAIL	20
BETTY	WAGONER	CIRCUIT COURT	20
EDDIE	CASSADY	POLICE DEPT	30
DURWIN	JOYCE	ELECTRIC	30
ASHBY	PRITCHETT	CIRCUIT COURT	30

Recognize members of Girl Scout Troop 616 for receiving the Bronze Award – Mayor Turner read the proclamation recognizing members of Girl Scout Troop 616 for receiving the Bronze Award then Council members presented a copy to each Girl Scout in attendance. Members of Troop 616 addressed Council members and summarized their pet safety education kit project and presented Council Members with a Pet Safety Education Kit.



PROCLAMATION

Honoring

*Lilli Bescher, Caroline Boa, Savannah Brown, Hannah Mase,
Ava Meyer, Emma Nester, Claudia Phillips, and Leia Richardson
Of Girl Scout Troop #616*

Whereas, Girl Scouting builds girls of courage, confidence, and character, who make the world a better place. In Girl Scout Troop #616, girls discover the fun, friendship, and power of girls together; and

Whereas, Lilli Bescher, Caroline Boa, Savannah Brown, Hannah Mase, Ava Meyer, Emma Nester, Claudia Phillips, and Leia Richardson have earned the Girl Scouts Bronze Award – the highest award that a Junior Girl Scout may earn – and is representative of the accomplishment that a scout has performed within her community as she grows and works to improve her life and the lives of others; and

Whereas, These young ladies have received this award for their project “Pet Safety Education Kits” which included educational information and pet safety window decals to alert firefighters or police to save pets inside in case of fire or any immediate disaster and to deter unsuspecting burglars. They partnered with the Society for the Prevention of Cruelty to Animals (SPCA) of Martinsville and Henry County, American Society for the Prevention of Cruelty to Animals (ASPCA), Blue Ridge Poison Center, Federal Emergency Management Agency (FEMA), Pet Safety Alert, Virginia-Maryland Regional College of Veterinary Medicine, and Fido’s Finds and Kittie’s Collectibles. This demonstrates their leadership and planning skills; and

Whereas, These young ladies are to be commended on this achievement, as their passion has created a high standard of commitment and dedication to animals, Girl Scouts, and to the Martinsville-Henry County community; and

Whereas, These young ladies are an example to the youth of our area, as their leadership, organizational skills, sense of community, and commitment has set the foundation for many to follow as they continue to serve as an inspiration to all students and peers.

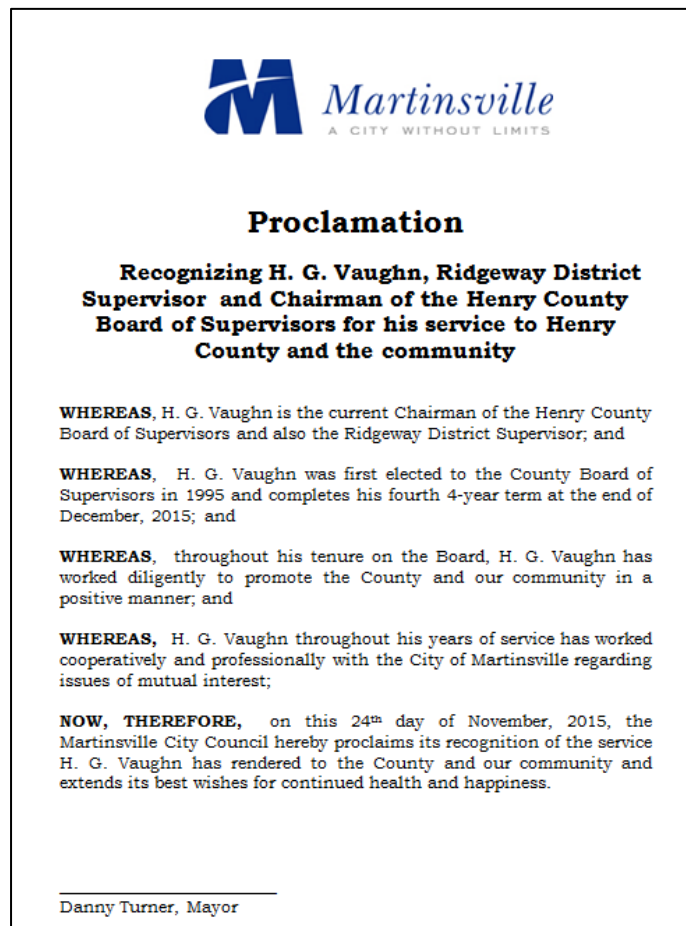
NOW, THEREFORE, I, Danny Turner, Mayor of the City of Martinsville, do hereby proclaim on this 24th day of November, 2015 our congratulations to these young ladies on earning the Bronze Award and encourage all residents to appreciate the contributions of the Girl Scout movement, and Troop #616.

Danny Turner, Mayor

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Recognize Army Veteran Thomas Spencer as recipient of several 2015 Veteran of the Year awards – Mayor Turner introduced Mr. Spencer. City Manager Towarnicki summarized Mr. Spencer's awards and service history. Mayor Turner thanked him for his service. Mr. Spencer stated it was an honor to win both awards.

Present a proclamation to H. G. Vaughn, Chairman of the Henry County Board of Supervisors, recognizing his service to the county and community – Mayor Turner read the proclamation honoring Mr. Vaughn. Council Member Teague complimented Mr. Vaughn on his years of service, recognizing several of his accomplishments during his tenure. Mr. Vaughn said his priority had always been to serve the citizens of Ridgeway district, Henry County and Martinsville City and that it had been an honor to serve.



Hear an update from American Municipal Power regarding various electric projects the City is participating in – City Manager Towarnicki introduced Marc Gerken, representative of American Municipal Power. Mr. Gerken presented a powerpoint presentation regarding the City's various electric projects and explained the schedule of those projects, energy resources, cost comparison, cause for increase in rate projections, budgets, project status, project in-service dates and new generation development. He stated that he may be able to provide additional answers and updates if Council wanted him to return January, 2016 but could not elaborate on some topics tonight due to current litigation. Teague stated that one of the biggest concerns for citizens would be an increase in their electric rates and confirmed that the average customer could see an average rate increase of \$3-\$4 per month.



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American Municipal Power, Inc.



Hydro Phase I Project Update

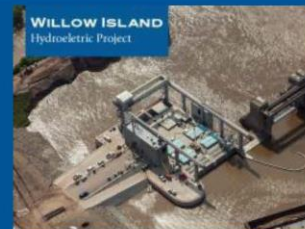
Cannelton, Smithland, and Willow Island



CANNELTON
Hydroelectric Project



SMITHLAND
Hydroelectric Project



WILLOW ISLAND
Hydroelectric Project

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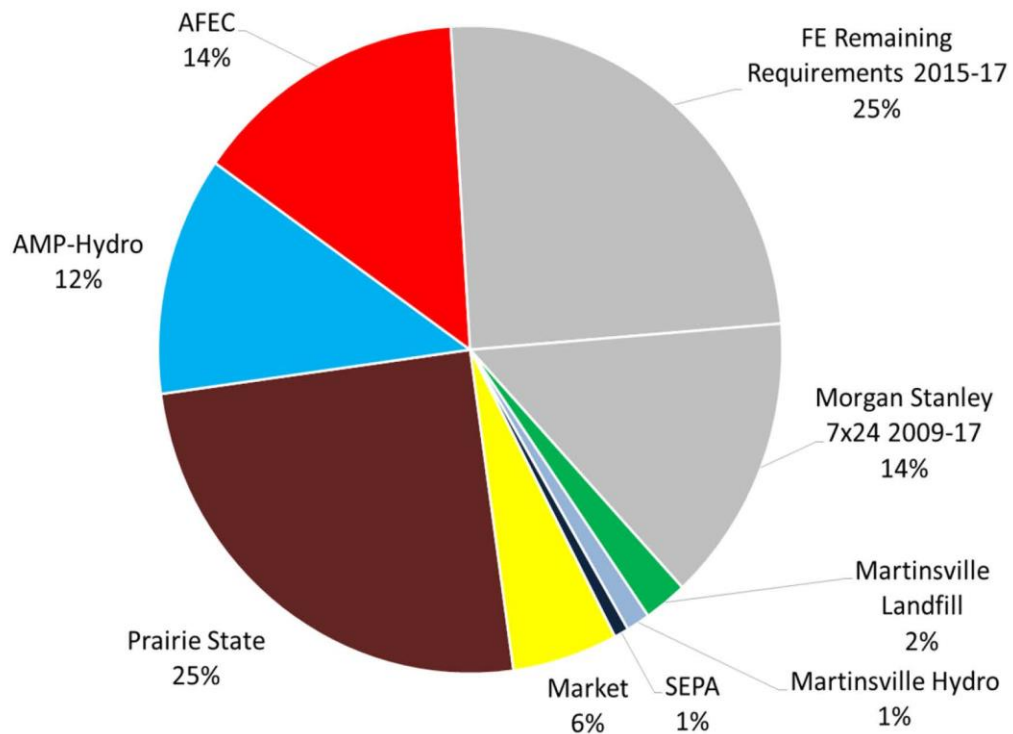
Marc S. Gerken, P.E., CEO/President

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Martinsville 2017 Energy Resources



LEVELIZED COST COMPARISON

From the November 2011 Council Presentation:

	Prior to Constr. Cost Reduction	After Constr. Cost Reduction
	<u>\$/MWh</u>	<u>\$/MWh</u>
Resource Costs		
Hydro Phase 1	124.49	117.75

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Levelized Costs (2014-2050, 5.25%)

HYDRO PHASE I

- At October 1, 2015 Participants Meeting, Participants voted to levelize rates at \$140.45/MWh for 2016 budget

AMP Hydro Budgeted Rates		
	Capacity Revenue	Project Rate
2016	\$2.00	\$140.45
2017	\$4.67	\$140.45
2018	\$7.58	\$140.45
2019	\$8.58	\$140.45
2020	\$9.37	\$140.45

CAUSES FOR INCREASE IN RATE PROJECTIONS

Major Contributing Factors to
Schedule Slippage and Increased Project Budgets

- Regulatory Requirements
- Concrete Work
- Turbine/Generator Installation Work
- Owner Furnished Equipment – Voith
- High Water Events
- Build America Bonds (BABs) Sequester

2016 BUDGET 2017-2020 PLAN (APPROVED)

	2015 Budget for year 2017	Approved 2016 Budget for year 2017	Increase/(Decrease) invoiced to participants.	Difference \$/MWh	Notes
MWh Generated	1,056,832	1,056,832			Total Generation remains unchanged from 2015 budget to 2016 budget.
Total Fixed Expenses	\$19,819,931	\$24,963,961	\$5,144,030	\$4.87	Refined budget estimates for Operation and Maintenance Costs.
Total Variable Expenses	\$4,036,299	\$1,046,759	(\$2,989,541)	-\$2.83	
Debt Service					
Existing Debt Requirement	\$124,656,860	\$124,407,385	(\$249,475)	-\$0.24	Existing Debt Service Requirement remains materially the same in both budgets
Sequester (BABs/CREBs)	\$3,184,912	\$3,184,912	\$0	\$0.00	Sequester present in both budgets, Affect on Rate is \$3.01/MWh
Deferred Billing	(\$18,840,949)	\$0	\$18,840,949	\$17.83	2015 Budget assumed \$139 Million would be deferred, and therefore would not be collected from the Participants over the 2015-2019 time period. 2016 Budget does not include any deferrals.
Funds from DSRF to be used to offset total Term Debt requirements invoiced to participants.	(\$5,364,226)	\$0	\$5,364,226	\$5.08	2015 Budget utilized \$5.4 Million of DSRF investment earnings to offset required collections from participants. 2016 budget "cashes out" the DSRF to pay for additional project capital requirements. Therefore there will be no investment earnings available from the DSRF in the 2016 budget.
Surety Fees		\$1,837,965	\$1,837,965	\$1.74	2016 budget includes cost for the Surety related fees which allow for the "cashing out" of the DSRF to use for additional capital requirements. 1.5% / Year
Net R&C billing	\$1,800,000	\$1,000,000	(\$800,000)	-\$0.76	2015 Budget invoiced participants for a net \$1.8 Million to fund a reserve and contingency (R&C) fund. 2016 budget bills the participants for a net \$1.0 Million to fund the R&C.
Total Debt Service	\$105,436,597	\$130,430,262	\$24,993,665	\$23.65	
Total Expense	\$129,292,827	\$156,440,981	\$27,148,154	\$25.69	
Rate \$/MWh	\$122.34	\$148.03		\$25.69	

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2016 BUDGET 2017- 2020 (PROPOSED FINANCING STRUCTURE)

	2015 Budget for year 2017	Draft Revised 2016 Budget for year 2017	Increase/(Decrease) 2015 Budget to Draft 2016	Difference \$/MWh	Notes
MWh Generated	1,056,832	1,056,832			Total Generation remains unchanged from 2015 budget to 2016 budget.
Total Fixed Expenses	\$19,819,931	\$24,963,961	\$5,144,030	\$4.87	Refined budget estimates for Operation and Maintenance Costs.
Total Variable Expenses	\$4,036,299	\$1,046,759	(\$2,989,541)	-\$2.83	
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Additional Fincing (Variable Rate)		\$4,978,980	\$4,978,980	\$4.71	Borrowing \$129 Million to fund additional capitalized costs (including Capitalized interest)
Net R&C billing	\$1,800,000	\$1,000,000	(\$800,000)	-\$0.76	2015 Budget invoiced participants for a net \$1.8 Million to fund a reserve and contingency (R&C) fund. 2016 budget bills the participants for a net \$1.0 Million to fund the R&C.
Total Debt Service	\$105,436,597	\$128,207,051	\$22,770,454	\$21.55	
Total Expense	\$129,292,827	\$154,217,770	\$24,924,943	\$23.58	
Rate \$/MWh	\$122.34	\$145.92		\$23.58	

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Cannelton: Aerial view of the powerhouse (Dec. 2014)

HYDRO PHASE I PROJECT STATUS

Cannelton (Three Unit Plant)

- Achieved the plant watertight milestone on April 17, 2014 signifying plant exposed to river levels both upstream and downstream.
- Unit 3 turbine generator dry commissioning completed by Voith and unit watered-up November 5, 2015 to start wet commissioning.
- Unit 2 turbine generator turned over to Voith commissioning team on November 10, 2015, for start of dry commissioning.
- Unit 1 turbine generator anticipated to be turned over to Voith commissioning team on December 9, 2015, for start of dry commissioning.

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Smithland: Aerial view of the powerhouse (October 2015)

HYDRO PHASE I PROJECT STATUS

Smithland (Three Unit Plant)

- Mutually terminated CJ Mahan as the powerhouse contractor.
- Successfully negotiated subcontractor assignments with all existing CJ Mahan subcontractors with the exception of Gracon and IHP.
- Contracted Barnard Construction to manage the balance of subcontractors, and hired Barnard direct to complete the installation of the turbine generator equipment.
- Barnard continues turbine generator installation work.
- Achieved the plant watertight milestone November 20, 2015 signifying plant exposed to river levels both upstream and downstream.

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Willow Island: Aerial view of the powerhouse (October 2015)

HYDRO PHASE I PROJECT STATUS

Willow Island (Two Unit Plant)

- Achieved the plant watertight milestone on January 9, 2015 signifying plant exposed to river levels both upstream and downstream.
- Unit 1 turbine generator dry commissioning completed by Voith and unit watered-up October 6, 2015 to start wet commissioning.
- Unit 1 achieved initial electrical synchronization and generation of MW's on November 16, 2015.
- Unit 2 turbine generator dry commissioning completed by Voith and unit watered-up October 27, 2015 to start wet commissioning.
- Unit 2 anticipated to achieve initial electrical synchronization and generation of MW's early December 2015.

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HYDRO PROJECTED IN-SERVICE DATES

AMP currently projects in-service dates as shown below:

Combined Hydro

- AMP projects commercial operation dates of the respective projects' units to be as follows:
 - Cannelton Project (3 Units) – First unit January 2016, Second and Third units February 2016; and
 - Smithland Project (3 Units) – First unit September 2016, Second unit October 2016, Third unit November 2016; and
 - Willow Island Project (2 Units) – First unit December 2015, Second unit January 2016

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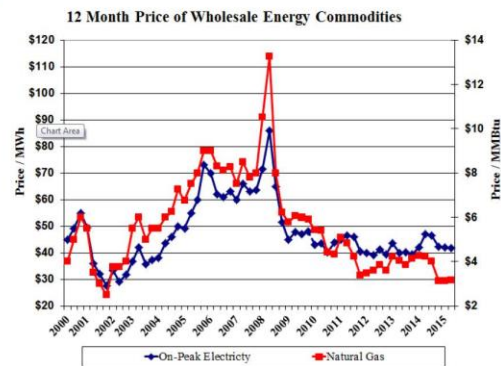
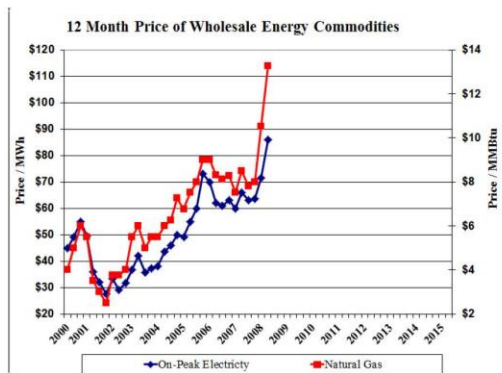
New Generation Development

Electric market has gone down since decision made to develop projects – driven by gas market

Point where project development decisions made...



...Since then



NEW GENERATION DEVELOPMENT

- Construction costs for generation projects higher than expected
- AMP is working with participants to mitigate these increased costs through financial opportunities
 - Refinancing
 - Rate levelization
- Projects are long-term investments with long-term benefits
 - Increased diversification; reduced market exposure

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NEW GENERATION DEVELOPMENT


- AMP Fremont Energy Center strong performance optimizing investment for participants
- Prairie State management and operational improvements resulting in consistent capacity factors for participants
- New hydro projects providing valuable risk mitigation tool for carbon rules for participants
- Behind the meter generation helping participants peak shave and save on transmission costs

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Consider approval of the 2016 Legislative Agenda – City Attorney Monday said there were no changes from last meeting and there had been no formal vote to approve the Legislative Agenda. Council Member Hodge made a motion to approve the legislative agenda

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as presented, Council Member Teague seconded the motion, all Council members voted in favor.



The City of Martinsville appreciates the efforts its legislators undertake at both the state and federal level on behalf of its citizens. Listed below are the City's priorities requested of its legislative delegation in 2016.

Virginia General Assembly

Transportation

1. In the short term, upgrade those portions of Route 220 overlaying I-73 to interstate standards. Any construction or upgrades to the I-73 corridor should begin on those sections passing through Henry County.
2. Continue to place priority on Route 58 improvements, particularly the section between Stuart and Hillsville, Virginia.

Education

1. City Council endorses the agenda proposed by the Martinsville City School System and also endorses the educational priorities adopted by Henry County, on behalf of its school system.
2. Oppose the imposition of unaided education mandates and in the event of revenue cuts by the Commonwealth, opposes targeted cuts by the Commonwealth, instead preferring local decision making authority on where to make any such cuts.
3. Recognizing its potential to promote economic development within our community and region, continue support for the development and funding of the New College Institute; urge that any funding reductions to New College Institute, if considered, be minimized to the greatest extent possible; and support the affiliation of The New College Institute as a branch of a four-year public university.
4. Request the Commonwealth to fully fund the expenditures imposed upon local school systems by implementing the Standards of Quality.
5. Encourage the Commonwealth to continue or increase the current levels of financial support provided to Patrick Henry Community College.
6. Encourage the Commonwealth to provide financial support to the College of Hemlockopolis School of Medicine.
- 6-7. Request the Commonwealth to provide incentives for consolidation of school systems.

Economic Development

1. Maintain current levels of funding for economic development incentives, including but not limited to the Governor's Opportunity Fund.
2. Enhance the authority granted to localities to address and eliminate blighted properties, and the formation of interstate compacts to allow expedited recourse against out-of-state property owners.
3. Continue current funding levels of the Virginia Museum of Natural History.
4. Request enhanced state and federal financial assistance for localities which exceed the average state unemployment rate by 150% for a period of five consecutive years.
5. Support continued tourism awareness initiatives in the Martinsville-Henry County region.
- 5-6. Expand local authority to designate Enterprise Zones and establish incentives.

Governance

1. Request the appointment of a joint gubernatorial/legislative commission to examine the structure of local government in Virginia; the commission's mandate to include:
 - a. Examination of local government in the other 49 states for potential adaptation to Virginia.
 - b. Enable cities to expand their revenue base
 - c. Elimination of the "zero-sum" revenue base structure, which creates friction between cities and counties.
 - d. Elimination of redundant services and programs between contiguous cities and counties.

2. Require full funding for HB 599 funds, in fulfillment of the Commonwealth's commitment to cities in return for their acquiescence in the annexation moratorium.

3. Require that the Commonwealth fully fund its obligations to the Virginia Retirement System, and refrain from borrowing from VRS funds.

4. Request the elimination of "local aid to the Commonwealth" in the state budget; local aid artificially inflates state revenues by shifting responsibility for cuts in vital services onto localities.

5. Elimination of all unfunded mandates from the Commonwealth to localities.

6. Oppose any elimination or alteration of local revenue streams, and specifically oppose any amendment to the current manner in which the Business Occupation and Licensing Tax and the Machinery and Tools Tax are levied, unless a replacement revenue stream, not subject to biennial appropriation, is guaranteed by the Commonwealth.

7. Request at a minimum, level funding for operational requirements of the Henry-Martinsville Department of Social Services.

8. Request that the General Assembly leaves intact the fire programs fund and the rescue squad assistance funds and not use these funds as a way to balance the state budget.

9. Request that the Commonwealth fully fund its obligations to constitutional officers.

10. Oppose any attempt to curtail the doctrine of sovereign immunity for localities.

11. Oppose any attempt to permit collective bargaining for state and local government employees.

12. Oppose any amendment of the existing burden of proof or process in local tax appeals cases.

12-13. Request authority to refund erroneously paid taxes at an interest rate which differs from that imposed on delinquencies, and to refund taxes erroneously paid through the fault of the taxpayer at no interest.

United States Congress

1. Oppose any effort to impose additional taxation or regulation of electrical power generation by coal or natural gas.
2. Urge the Federal Highway Commission to adopt the CTB's designated route for I-73, or alternatively to preserve the current record of decision in the event the CTB's route is rejected.
3. In the short term, upgrade those portions of Route 220 overlaying I-73 to interstate standards.
4. Request \$3.72M in funds for the redevelopment of brownfields extending from the former American Furniture and Sara Lee sites, along Aaron Street, to Rives Road.
5. Request \$6.25M in funds for the elimination and redevelopment of blighted areas in the city.
6. Request legislation to provide special federal incentives to businesses locating in regions which have experienced job losses in excess of 5% of the total workforce and/or declines in median incomes since the adoption of NAFTA, WTO or GATT. Target such areas for increased federal funding in education or workforce retraining.
7. Extend high speed broadband service throughout southern Virginia.
8. Request enhanced state and federal financial assistance for localities which exceed the average state unemployment rate by 150% for a period of five consecutive years.
9. Oppose the EPA's proposed expansion of the definition of "waters of the United States" in 40 CFR 230.3.

Staff Designations

City Council empowers the following staff members to speak on its behalf and in its best interests to the Virginia General Assembly and United States Congress, its members and committees:

City Attorney Eric Monday
City Manager Leann Towarnicki
Other department heads as appointed by the City Manager

Comments by members of City Council – Stroud said he hoped the citizens would enjoy Thanksgiving and asked that everyone say a prayer for a family member who would have surgery tomorrow. Turner thanked everyone who participated in organizing the parade; he shared details on local Thanksgiving meals and warming centers open to anyone in need.

Comments by City Manager – City Manager Towarnicki noted that the Municipal building would be closed Wednesday evening through the rest of the week. Police, fire, EMS, water plants, and other departments would continue to work around the clock as necessary. He asked citizens who see those workers out during the holidays to please express their appreciation for their work and what they are doing. Strategic Planning details are completed and will be sent to Council next week; he asked that Council review those details for accuracy. Revised Strategic Plan would then be presented at a future council meeting and formally adopted. Towarnicki stated that a possible work session may be necessary early December. He pointed out that there had been a change in the agenda layout; any business from the floor will be moved to the end of the meeting and would not be televised going forward. Hodge asked if it would be audio recorded, Towarnicki said no but that recorded minutes would document any topics brought before Council.

Business from the Floor (not televised) – Ural Harris, 217 Stewart St – stated he was unhappy with the information provided regarding AMP and does not understand why Council continues to make bad decisions. He expressed concern about rate hikes and those residents on social security. Jim Ennis, 1216 Knollwood Place – hopes that Council would reconsider televising the business from the floor session. He referred to an article in the Martinsville

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Bulletin and expressed his concern regarding refugees entering the United States. Joe Martin, Church Street – wanted to express his support of Dr. Crabtree’s statements regarding signage in historical districts of Martinsville. He states that some restrictions seem to be discouraging new businesses wishing to open in the City. Hodge recommended that he attend the next ARB meeting & express his concerns and suggestions. Teague suggested Mr. Martin go back to the Planning Commission with his concerns and that the Planning Commission and Council should relook at the historic zones and the ordinances. Diane Ennis, 1216 Knollwood Place – believes that the session should be televised and that the format of the meeting should be changed. Turner stated that this is not a public forum or town hall meeting, it’s a representative government and business meeting. Monday confirmed there are topics that are brought up that are outside of City Councils control and stated that Council is under no legal obligation to provide the open forum or to televise it. Council can put limitations on time and topics presented during business from the floor.

There being no further business, a motion was made by Council Member Stroud to adjourn the meeting, seconded by Council Member Teague with all council members in favor. The meeting adjourned at 9:32pm.

Karen Roberts
Clerk of Council

Danny Turner
Mayor